App. F. IX-4

1926-7

File No. 40-26

Previous References

Rs. I 248-25 (1-2)

(S. O. I)

Primary

Serial Nos. 1, 4

Later References

S. O. I 11-28 (1-5)

p. 11(E)

General and Revenue Secretariat.

Serial Nos 12

Part B for July 27.

SUBJECT

Formation of a special reserve fund for Stabilising the Sandal Revenue

---

No 1122 S dt 14.6.27.

To

The Dir. I.S.O. Factories

State that it is not possible to set aside any share of the Revenue for the——

Kalbhairava

5746 (1)

G. R. S. 11] 1926

GENERAL AND REVENUE SECRETARIAT.

(S.O.T.)

NOTES.

File No. 40-26.

FILE HEADING.

Formation of a special reserve fund for stabilising the Sandal revenue.

From

The Director, S.O.T.

No. 3712 Dated 7.3.1927 Received 8.3.1927

Diary No. 5746	Enclos. 1	Spare Copies.	Serial No. 1

BRIEF ABSTRACT OF LETTER.

Suggests that a portion of the net revenue earned by the factories in good years should be set aside for building up a special fund, appropriating only the balance as the revenue for the year, as otherwise the budget-position would be disloctated by any fall in the S-oil revenue in lean years.

NOTES AND ORDERS.

The above proposal of the Director has been referred to by the Sandalwood Board of which the Conservator of Forests is also a Member.

2 Submitted for orders.

16.3.27. VB 3 The Const's views may be called for.

16/3 Sec? D) 16/3

NOTES—First Sheet.

5746 WD 01229—GPB—37,500—1-9-26
App. F. III—2]

General and Revenue Secretariat

S.O.7 File No. 40 of 192 6

Serial No.

Put up 28.3.27

W.O. 155. of 26

4 Forwarded, with compliments, to the Conservator of Forests in Mysore for favouring opinion.

22 3 27

N. Ramaswamy
Secy to Govt
WP 27/3

Z. W.O. No. 9.
Dt. 5.4.27

5 The suggestion of the director of S.O.F to set aside a portion of the net Rev for a reserve to be utilized in lean years is a matter for the finance department. I am not sure whether such a procedure is adopted in the case of any other Rev. Eg Mining Rev. the stability of which is much more doubtful than that of Sandal; or for a matter of that in the case of Excise Rev. which have been declining for some years now. I very much doubt the feasibility of such a procedure.

B. Ramamurthy
Conr of Forests.
6.4.27

Jl 3421-26 8
6.4.27

6 To the Secy. with compliments.

6 For favour of remarks
Fin Secy
Comptr
Reg
6/4

7 Please put up paper Mining Rev. Capitalisation fund.

8 Submitted with the file. Y/4 G.7 248-25
As desired

9 I want the file relating to its formation to be put up. Please see also the

Hay: G.

NOTE—Contn. Sheet

D.16/4

WD 01229—GPB—37,500—1-9-26
App. F. III—2]

General and Revenue Secretariat | S. 97 File No. 40 of 192 6 | (3

Serial No.

10 The file relating to the formation of Capitalization Fund could not be obtained. The Datta's volume III is put up as desired. Attention is invited to page 2 of the volume where a brief mention is made of the fund.

Submitted for further instructions & orders.

H: 3 & 21-21

3/5

P. T. O.

S. O. 7. 4 D-2 6.

(4

11. I have not been able to get at the file ordering the formation of the Mining Revenue Capitalisation Fund. It may, however, be stated that ~~this~~ the balance at credit of the fund has ~~not~~ now been closed to Government.

H: 3421-26

12 With regard to the formation of a special fund in respect of the sandal oil revenue so that the Government may draw upon this fund ~~senior~~ in a lean year to the required extent for bringing up ~~lower~~ the revenue in that year to the average level, it is submitted that this is not in consonance with the practice adopted in our Budget which is essentially a cash document. As observed by the Conservator of Forests we have not got any equalising fund in respect of other items the stability of which may be as doubtful as that of Sandal wood oil. I do not think the sandal wood oil revenue could be treated as adventicious. In any case our general financial position is ~~xxx~~ bad and our revenues have gone down very heavily during the current year and so we cannot afford to set apart any portion of the sandal wood oil revenue and keeping it outside the revenue account for forming an equalisation fund

FINANCIAL SECRETARY
0 MAY 1954
No. 4954

Bo
10/5

Fwd: Secy

1.5. I agree with the Conservator that the formation of a S.O Reserve Fund is not a feasible proposition now, when the annual revenues are

1576

(5

General and Revenue Secretariat.

S. D. 7. File No. 4 D of 1926

Serial No.

Insufficient to meet the demand for expenditure by Departments even at the present time.

14 Theoretically the proposal of the Board is deserving of consideration and it may be kept in view in framing our financial policy in future as when the general economic outlook improves.

h
13.5.27

GEN. & REV. SECT.
16 MAY 1927
ENVELOPE

15 I think the Dr's proposal very sound. The Fe opinion seems to be to amount merely to this – that a special reserve, however desirable, cannot be created because we want all the receipts immediately for other purposes.

2d Member)

VB
24-5-27

16 I am afraid the financial view has to prevail as it is not possible to set aside any share of this revenue to form a reserve –

Mrk
26.5.27

17 Please put up a draft reply

MR

18 Draft put up.
18.27.5.27

26-5-27 VB

NOTE—Contn. sheet

GPB—5,220—30-3-26

Secy D)

VS

Issue MR 28.5.27
MDP 96 -8 6 27

5 Ref. 6

App. F. III—2]

General and Revenue Secretariat. | 107 File No. 40 of 1926.

Serial No.	
4	To Director of I. & Factories, D. 11220 & 17.6.27. With refee to abt states that it is not possible to set aside any share of the revenue to form a reserve fund.

GEN. & REV. SECRETARIAT. 27 DEVELOPMENT BRANCH

NOTE—Contn. sheet.

WD 2293—GPB—10,000—4-5-27

Tel. Address :—"Sandal Bangalore"

S. O. F. 40-23-1

(1)

SANDALWOOD OIL FACTORY
SANKEY'S LODGE

No. 3712/1

Bangalore, 7th March 1927.

FROM

THE DIRECTOR,

SANDALWOOD OIL FACTORIES IN MYSORE,

BANGALORE.

5746

To

The Secretary to the Government of
His Highness the Maharaja of Mysore,
Development Departments.

Sir,

With reference to your letter No. D.6388/S.O.F.34-26-2 dated the 8th of February 1927, in regard to the formation of a special reserve fund for stabilising the Sandal revenue, I have the honour to invite reference to page 19 of my Report on the working of the Sandalwood Oil Factories for the year 1925-26. I have therein suggested that a portion of the net revenue earned by the Factories in good years should be set apart for building up a special fund, appropriating only the balance as the revenue for the year and that Government may draw upon this fund in a lean year to the required extent for bringing up the lower revenue in that year to the average level.

S.O.F. 34-26-1 Licenses

It is a well recognised fact that a continuous succession of prosperous trade years cannot be depended upon and that a bad year is almost certain to occur once in a cycle of 5 or 6 years. It is the same case as is experienced in respect of monsoons. Further our trade is not confined to any particular country; but quite a good business is done in all the important trade centres of the world. Any depression in trade in any one of the chief markets will materially affect the total volume of business for that year. Further the fact that sandalwood oil is an article of luxury, makes it more susceptible than other articles to trade fluctuations. This aspect should therefore be carefully borne in mind.

Such

Such depression results not only in a shrinkage of the volume of business but has also its effect on the rates realisable. The earnings for the year will be correspondingly low. All big commercial institutions are usually prepared for such contingencies. The position will be tided over by drawing to the necessary extent from special reserves and divided equalisation fund.

As sandalwood oil revenue occupies a fairly important place in the State Budget, any violent fluctuation in the factory earnings during any year would necessarily dislocate the Budget position to a material extent and its repercussion would have undesirable effects on the steady and smooth working of the industry. Such dislocation and disturbance could be avoided by forming a special fund under the name of The Sandal Revenue Stabilisation Fund, a contribution to which must be made out of the net earnings of the factories during prosperous years.

There remains the important question of what should be taken as the net income during a good year, what a lean year would bring and how much should be set apart in prosperous years. The sandalwood oil revenue is mainly governed by three important factors: Volume of business, Rate realised for the oil and the Exchange. Drawing an average upon the net revenue realised during the preceding years would be misleading as the conditions have materially varied from time to time. The rates have fluctuated between s.47/- in the early years to about s.22/- at present, and the Exchange has violently moved both up and down and has been only stationary at about s.1/6 during the last two years. Taking all the existing factors into consideration, it appears to me that a total business of about 175,000 pounds of oil for the year with the minimum price of s.20/- for the London transactions and an Exchange rate s.1/6 to the rupee may be taken to represent the normal conditions of the business for a good year. This is very nearly the position for the year 1924-25. The net revenue earned by the factories in that year was Rs.18,81 lakhs. A revenue of

Rs.

Rs.18.50 lakhs may therefore be taken as a safe average income for a fair year. The net earnings in a lean year have gone down as low as Rs.11.83 lakhs in the year 1920-21 in spite of the fact that the price of the oil in that year stood as high as s.42/- per pound. As the rate has dropped down to nearly s.20/- an income of Rs.10 lakhs would be quite a liberal estimate for a lean year.

If it is held that a trade cycle ordinarily consists of 4 good years and a lean year, then it follows, on the revenues estimated above for good and lean years, that the average revenue per annum for the cycle period of five years would work out to Rs.16.80 lakhs. I have suggested in my Annual Report that the net revenue per annum from the Sandalwood Oil Factories may be taken at Rs.16.50 lakhs. I request you will kindly obtain the sanction of Government to the above policy and to authorise me to hand over Rs.16.50 lakhs to the General Revenue as the net revenue from the factories during the prosperous years and utilise the balance for building up a special reserve fund for the purpose explained above.

The last three years have been very prosperous for the factories. Prudence demands that immediate precaution should be taken for providing against any lean years in case of our having to experience them in the near future. I therefore submit that any surplus earnings in the current year over and above the Budgetted amount may be utilised for forming a nucleus for this fund. If my proposal is acceped by Government, the Revised Budget for the current year and the Estimates for the next year will have to be subjected to this policy. It will facilitate matters if early orders can therefore be obtained on this subject.

This proposal was placed before the Sandalwood Oil Board, who, agreeing with me, resolved that Government be suitably addressed on the subject. Copy of the Resolution is submitted herewith.

I have the honour to be,
S i r,
Your most obedient servant,

Yeeraswiga Rau
Dy. Asst. Director

GOVERNMENT OF MYSORE 4

SANDALWOOD OIL FACTORY

Bangalore, 7th March 1927.

Extract from the Proceedings of the first meeting of the Sandalwood Oil Board held on Monay the 17th of January 1927 in the Chamber of the Second Member of Council.

x x x

The Director placed before the Board extracts of his report submitted to Government suggesting the formation of,

1. A special reserve fund by setting apart a portion of the net sandalwood revenue realised during favourable years for supplementing the income during lean years, so as to stabilise the Forest Revenue in the Budget as, otherwise, the Budget position would be dislocated by any fall in the Sandalwood Oil revenue in lean years.

x x x

The Board agreed with the Director's suggestions and resolved that Government be specially addressed in the matter.

x x x

Director.

AP

5

SUBJECT.....

.....

.....

Section S.D.7.

File No. 40-26

Serial No. 4

No. D. 11270 dt 17/6/27

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the *192*

To

The Director S.D.7

Date of issue 17.6.27

Signed by [illegible]

Sir,

With reference to your letter no. 3712 dated the 7th March 1927 submitting proposals for the formation of a special reserve fund for stabilising the Sandal revenue, I am directed to state that if is not possible to set aside any share of this revenue to form a reserve

List of enclosures.....

~~that proposal is not feasible now, as the annual revenues are insufficient to meet the demands for expenditure by departments.~~

Copied by.....

Examined by .....

I have the honour to be,

Sir,

Your obedient servant,

[illegible]

Secretary.

Over

28/5/27

WD 0562 -GPB—31,000—17-8-25

18.27.5.27